

November 1, 2019

Q2FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	209		181	
Sales (Rs. m)	5,635.89	5,874,008	5,665,038	5,874,008
% Chng.	(0.5)	-		
EBITDA (Rs. m)	299,851	372,301	329,080	372,301
% Chng.	(8.9)	-		
EPS (Rs.)	16.5	22.1	18.9	22.0
% Chng.	(12.7)	0.5		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. bn)	5,281	5,636	5,874	6,050
EBITDA (Rs. bn)	352	300	372	377
Margin (%)	6.7	5.3	6.3	6.2
PAT (Rs. bn)	145	152	203	206
EPS (Rs.)	15.8	16.5	22.1	22.5
Gr. (%)	(28.0)	4.6	34.0	1.5
DPS (Rs.)	10.5	6.6	8.9	9.0
Yield (%)	7.4	4.6	6.2	6.3
RoE (%)	12.8	13.1	16.1	14.7
RoCE (%)	14.0	10.5	12.7	11.7
EV/Sales (x)	0.4	0.4	0.4	0.4
EV/EBITDA (x)	6.1	7.3	5.9	5.8
PE (x)	9.0	8.6	6.4	6.3
P/BV (x)	1.2	1.1	1.0	0.9

Key Data

IOC.BO | IOCL IN

52-W High / Low	Rs.171 / Rs.116
Sensex / Nifty	40,165 / 11,891
Market Cap	Rs.1,343bn / \$ 18,946m
Shares Outstanding	9,414m
3M Avg. Daily Value	Rs.3907.47m

Shareholding Pattern (%)

Promoter's	51.50
Foreign	7.23
Domestic Institution	14.25
Public & Others	27.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.0)	(9.7)	0.6
Relative	(8.4)	(12.3)	(13.8)

Avishek Datta

avishekdata@plindia.com | 91-22-66322254

Weak quarter

Quick Pointers:

- Q2 profitability hit by inventory and forex loss and weak refining performance.
- Benign crude oil prices from rising US supplies and implementation of IMO2020 rules to support marketing and refining margins going forward.

We lower our FY20E earnings estimates to factor in lower than expected H1 performance. During Q2, core performance for IOCL was weak; however, we expect operational performance to improve going forward. Benign crude price outlook given rising US supplies and weak global macros is likely to keep marketing margins buoyant. Also, implementation of IMO2020 will support diesel margins, which is positive for the OMCs. Maintain BUY with a revised PT of Rs209 (Rs181 earlier) on roll over to FY21E.

Weak performance: IOCL reported weak Q2FY20 results with EBITDA of Rs35.7bn (-47%YoY; PLe Rs85.9bn) and PAT of Rs5.6bn (-83%YoY; PLe Rs39.8bn). Lower than expected operating profits were due to **1)** inventory loss of Rs12bn vis-à-vis our estimates of Rs5bn and **2)** sharply lower than expected GRMs. EBITDA adjusted for inventory and forex loss was at Rs58.8bn. For Q2, inventory loss was at Rs11.8bn with refining accounting for Rs15.3bn while the marketing division had gains of Rs3.6bn.

Core refining marings remain muted: IOCL's refining margins for Q2FY20 came in at US\$1.3/bbl (Q1FY20 at US\$4.7/bbl; PLe US\$6.2/bbl) and included inventory loss of US\$1.7/bbl. Adjusted for inventory and time lag, management expects normalized GRMs at US\$4/bbl against US\$2.3/bbl in Q1FY20. GRMs are likely to improve going ahead as the OMCs with ~40% diesel product slate remain well placed to benefit from IMO2020 regulation which will increase diesel demand by >1mbpd when they are implemented effective January 2020. For Q2, refining throughput was steady at 17.5MTPA (17.3MTPA in Q1).

Marketing volumes lagged industry trend: IOCL's marketing volumes lagged industry run rate for HSD (-2.1% YoY vs -0.2% for industry and for MS (6.3%YoY against industry rate of 8.1%YoY). For FY20 the company has lined up capex of Rs65bn to augment the marketing network. IOCL's Q2FY20 marketing EBITDA was at Rs38.1bn against Rs45.7bn in Q1FY20. Adjusted for inventory gains, core-marketing earnings for Q2 were at Rs34.5bn (Rs43.0bn in Q1). We calculate blended marketing margins at Rs1,713/ton vs Rs1,995/ton in Q1.

Petrochemicals performance improves: For Q2FY20, petrochemicals EBITDA improved to Rs7.7bn against Rs6.9bn in Q1. However, pipeline business was steady with EBITDA of Rs15.9bn (Rs16.2bn in Q1).

Exhibit 1: Q2FY20 Result Overview (Rs mn)

Y/e March	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	H1FY20	H1FY19	YoY gr. (%)
Net sales	1,323,757	1,515,666	(12.7)	1,501,352	2,825,109	3,013,135	(6.2)
Inc/dec in stock	(60,655)	(45,857)	NA	22,460	(38,195)	(73,701)	NA
Purchases	407,118	451,091	(9.7)	459,667	866,784	907,614	(4.5)
Raw material cons	615,157	694,471	(11.4)	643,133	1,258,290	1,311,329	(4.0)
Duties	206,860	195,319	5.9	186,227	393,088	398,037	(1.2)
Staff cost	22,335	37,061	(39.7)	23,881	46,217	60,747	(23.9)
Other expenditure	97,220	115,962	(16.2)	82,484	179,705	215,729	(16.7)
Exp	(1,288,035)	(1,448,047)	NA	(1,417,852)	(2,705,887)	(2,819,755)	NA
Operating profit	35,722	67,620	(47.2)	83,500	119,222	193,380	(38.3)
Interest	(13,083)	(11,878)	NA	(15,091)	(28,173)	(22,189)	NA
Depreciation	(20,975)	(18,091)	NA	(20,929)	(41,904)	(35,970)	NA
Other income	6,481	10,407	(37.7)	6,314	12,794	16,260	(21.3)
Profit before tax	8,145	48,057	(83.1)	53,794	61,939	151,482	(59.1)
Current tax	1,164	(7,618)	NA	(10,011)	(8,847)	(30,953)	NA
Profit after current tax	9,309	40,439	(77.0)	43,783	53,092	120,529	(56.0)
Deferred tax	(3,675)	(7,970)	NA	(7,822)	(11,497)	(19,746)	NA
Net profit	5,634	32,469	(82.6)	35,961	41,595	100,783	(58.7)

Source: Company, PL

Exhibit 2: IOCL quarterly internals

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Refinery throughput (mtpa)	17.70	17.82	18.98	17.35	17.28	17.54
Pipelines throughput (mtpa)	22.9	21.4	23.1	21.2	21.9	21.7
GRM (US\$/bbl)	10.21	6.79	1.15	4.09	4.69	1.28
Normalised GRM (\$/bbl)		5.8	5.12	3.04	2.27	3.99
Petrochem thruput	0.64	0.66	0.67	0.67	0.53	0.47
Mkt sales-domestic MMT	20.45	18.65	20.35	20.52	20.52	18.95
Mkt sales -exports MMT	1.23	1.75	1.23	0.96	1.08	1.23
Mkting Inventory gains/loss	19,480	13,920	(26,620)	2,520	2,560	3,560
Refining inventory gains	59,180	30,160	(80,820)	23,900	9,770	(15,340)
Total	78,660	44,080	(107,440)	26,420	12,330	(11,780)
EBIDTA (Rs mn)						
Refining	58,170	20,800	(8,680)	12,080	16,590	(20,270)
Marketing	43,690	42,100	(3,950)	68,480	45,650	38,130
Pipeline	16,270	16,100	16,130	15,890	16,230	15,870
Petrochem	16,300	15,620	9,670	10,050	6,860	7,740
Others	(2,830)	(16,590)	27,360	12,860	4,490	730
Total	131,600	78,030	40,530	119,360	89,820	42,200

Source: Company, PL

Conference call highlights

- GRMs adjusted for inventory and time lag at USD4/bbl for Q2 vs USD2.3/bbl in Q1.
- Regular shutdown of different refiners for Euro 6 also affected projects and the trend is likely to continue for H2FY20.
- FY20 capex at Rs250bn; H1 capex at Rs98bn. For FY20 refineries will account for Rs73bn, marketing Rs65bn, pipeline Rs56bn, petchem Rs15bn etc.
- Govt dues outstanding at Rs98bn as on H1FY20 end after receipt of Rs160bn from govt.
- No comment on BPCL stake and will evaluate if the proposal is received.
- Company to evaluate movement to new tax regime by FY20 end.
- Don't expect much increase in competition despite change in fuel retailing policy to net worth of Rs2.5bn.
- IOCL's Ennore LNG terminal operating at 15% utilization pending pipeline completion; likely by Mar2021. Currently supplying to CPCL, Madras Fertilisers etc.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	5,281,489	5,635,809	5,874,008	6,049,595
YoY gr. (%)	25.3	6.7	4.2	3.0
Cost of Goods Sold	4,420,968	4,818,214	4,962,770	5,111,661
Gross Profit	860,522	817,595	911,238	937,934
Margin (%)	16.3	14.5	15.5	15.5
Employee Cost	-	-	-	-
Other Expenses	508,295	517,744	538,937	561,167
EBITDA	352,227	299,851	372,301	376,766
YoY gr. (%)	(15.3)	(14.9)	24.2	1.2
Margin (%)	6.7	5.3	6.3	6.2
Depreciation and Amortization	85,065	79,143	82,802	86,274
EBIT	267,162	220,708	289,499	290,492
Margin (%)	5.1	3.9	4.9	4.8
Net Interest	48,880	52,972	57,022	60,872
Other Income	27,143	41,470	46,780	53,159
Profit Before Tax	245,425	209,205	279,257	282,780
Margin (%)	4.6	3.7	4.8	4.7
Total Tax	86,531	56,761	75,681	76,777
Effective tax rate (%)	35.3	27.1	27.1	27.2
Profit after tax	158,895	152,444	203,576	206,003
Minority interest	13,844	770	277	(251)
Share Profit from Associate	-	-	-	-
Adjusted PAT	145,051	151,674	203,299	206,253
YoY gr. (%)	(30.3)	4.6	34.0	1.5
Margin (%)	2.7	2.7	3.5	3.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	145,051	151,674	203,299	206,253
YoY gr. (%)	(30.3)	4.6	34.0	1.5
Margin (%)	2.7	2.7	3.5	3.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	145,051	151,674	203,299	206,253
Equity Shares O/s (m)	9,181	9,181	9,181	9,181
EPS (Rs)	15.8	16.5	22.1	22.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	1,574,876	1,836,377	2,025,901	2,215,427
Tangibles	1,574,876	1,836,377	2,025,901	2,215,427
Intangibles	-	-	-	-
Acc: Dep / Amortization	278,405	341,930	424,731	511,005
Tangibles	278,405	341,930	424,731	511,005
Intangibles	-	-	-	-
Net fixed assets	1,296,471	1,494,448	1,601,170	1,704,422
Tangibles	1,296,471	1,494,448	1,601,170	1,704,422
Intangibles	-	-	-	-
Capital Work In Progress	311,263	179,734	208,987	238,823
Goodwill	10	15,373	16,887	18,553
Non-Current Investments	393,847	465,569	494,170	525,630
Net Deferred tax assets	(165,097)	(180,258)	(208,216)	(236,652)
Other Non-Current Assets	52,199	56,981	62,679	68,947
Current Assets				
Investments	84,169	84,158	84,158	84,158
Inventories	771,265	757,598	788,479	812,059
Trade receivables	157,977	169,946	176,807	182,095
Cash & Bank Balance	10,647	11,134	76,941	150,464
Other Current Assets	50,603	52,460	55,083	57,837
Total Assets	3,351,551	3,543,732	3,835,267	4,127,223
Equity				
Equity Share Capital	91,810	91,810	91,810	91,810
Other Equity	1,032,882	1,107,921	1,240,385	1,374,590
Total Network	1,124,692	1,199,731	1,332,196	1,466,401
Non-Current Liabilities				
Long Term borrowings	391,525	411,099	461,099	511,099
Provisions	22,120	11,953	12,550	13,178
Other non current liabilities	15,995	15,981	15,981	15,981
Current Liabilities				
ST Debt / Current of LT Debt	535,593	559,675	579,675	599,675
Trade payables	411,941	421,986	439,058	452,189
Other current liabilities	659,655	715,548	756,902	800,880
Total Equity & Liabilities	3,351,551	3,543,732	3,835,267	4,127,223

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	245,425	209,205	279,257	282,780
Add. Depreciation	85,065	79,143	82,802	86,274
Add. Interest	48,880	52,972	57,022	60,872
Less Financial Other Income	27,143	41,470	46,780	53,159
Add. Other	-	-	-	-
Op. profit before WC changes	379,370	341,320	419,081	429,926
Net Changes-WC	(118,273)	43,143	24,800	31,141
Direct tax	(53,103)	(35,941)	(47,724)	(48,341)
Net cash from Op. activities	207,994	348,523	396,157	412,726
Capital expenditures	(269,425)	(221,714)	(220,304)	(221,042)
Interest / Dividend Income	-	-	-	-
Others	19,414	(21,040)	(25,721)	(28,294)
Net Cash from Invt. activities	(250,011)	(242,754)	(246,026)	(249,335)
Issue of share cap. / premium	(92,547)	(22,749)	1,055	(98,995)
Debt changes	305,707	43,656	70,000	70,000
Dividend paid	(116,560)	(73,218)	(98,357)	-
Interest paid	(48,880)	(52,972)	(57,022)	(60,872)
Others	-	-	-	-
Net cash from Fin. activities	47,720	(105,282)	(84,324)	(89,867)
Net change in cash	5,704	487	65,807	73,523
Free Cash Flow	(61,430)	126,809	175,852	191,684

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Net Revenue	1,399,689	1,262,141	1,315,125	1,116,897
YoY gr. (%)	26.5	7.5	1.6	(15.4)
Raw Material Expenses	1,273,448	1,038,550	1,125,260	961,619
Gross Profit	126,240	223,591	189,865	155,278
Margin (%)	9.0	17.7	14.4	13.9
EBITDA	36,101	108,759	83,500	35,722
YoY gr. (%)	(72.8)	(1.3)	(33.6)	(47.2)
Margin (%)	2.6	8.6	6.3	3.2
Depreciation / Depletion	18,606	20,567	20,929	20,975
EBIT	17,495	88,192	62,571	14,747
Margin (%)	1.2	7.0	4.8	1.3
Net Interest	8,479	12,442	15,091	13,083
Other Income	4,431	10,595	6,314	6,481
Profit before Tax	13,446	86,344	53,794	8,145
Margin (%)	1.0	6.8	4.1	0.7
Total Tax	6,278	25,351	17,833	2,511
Effective tax rate (%)	46.7	29.4	33.2	30.8
Profit after Tax	7,168	60,993	35,961	5,634
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,168	60,993	35,961	5,634
YoY gr. (%)	(90.9)	16.9	(47.4)	(82.6)
Margin (%)	0.5	4.8	2.7	0.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,168	60,993	35,961	5,634
YoY gr. (%)	(90.9)	16.9	(47.4)	(82.6)
Margin (%)	0.5	4.8	2.7	0.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,168	60,993	35,961	5,634
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

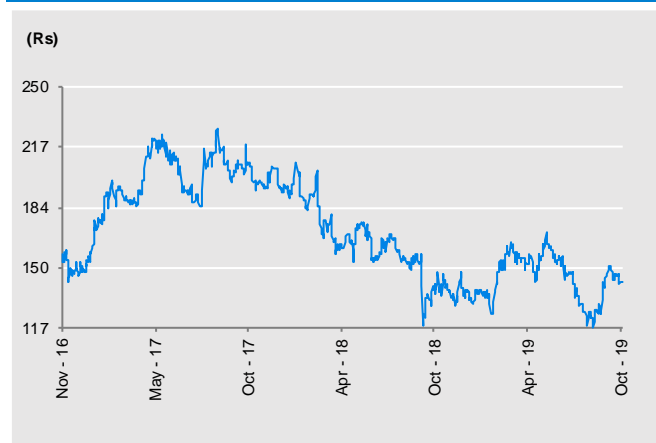
Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	15.8	16.5	22.1	22.5
CEPS	25.1	25.1	31.2	31.9
BVPS	122.5	130.7	145.1	159.7
FCF	(6.7)	13.8	19.2	20.9
DPS	10.5	6.6	8.9	9.0
Return Ratio(%)				
RoCE	14.0	10.5	12.7	11.7
ROIC	8.2	6.4	7.9	7.5
RoE	12.8	13.1	16.1	14.7
Balance Sheet				
Net Debt : Equity (x)	0.7	0.7	0.7	0.6
Net Working Capital (Days)	36	33	33	33
Valuation(x)				
PER	9.0	8.6	6.4	6.3
P/B	1.2	1.1	1.0	0.9
P/CEPS	25.8	25.9	32.1	32.8
EV/EBITDA	6.1	7.3	5.9	5.8
EV/Sales	0.4	0.4	0.4	0.4
Dividend Yield (%)	7.4	4.6	6.2	6.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Crude /bbl	70	70	70	70
US\$/Rs	70	70	72	74
GRM (US\$/bbl)	5	5	7	7
Refining volume (MTPA)	72	73	73	73

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Oct-19	BUY	181	152
2	1-Aug-19	BUY	168	137
3	4-Jul-19	BUY	207	157
4	20-May-19	BUY	207	158
5	5-Apr-19	Accumulate	207	158
6	27-Mar-19	BUY	207	162
7	30-Jan-19	Accumulate	142	135
8	7-Jan-19	Accumulate	142	133
9	2-Nov-18	Accumulate	142	148

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	BUY	990	749
2	Bharat Petroleum Corporation	BUY	502	532
3	GAIL (India)	BUY	207	132
4	Hindustan Petroleum Corporation	BUY	434	323
5	I.G. Petrochemicals	BUY	369	162
6	Indian Oil Corporation	BUY	181	152
7	Indraprastha Gas	BUY	400	352
8	Mahanagar Gas	BUY	1,269	891
9	NOCIL	BUY	189	99
10	Oil & Natural Gas Corporation	BUY	230	128
11	Oil India	Accumulate	236	145
12	Petronet LNG	BUY	352	279
13	Reliance Industries	Accumulate	1,395	1,416

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Avishek Datta- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Avishek Datta- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>